

Everyone Pays the Price for Insurance Fraud

Today's headlines are staggering. Here are a few examples:

- Erie, PA – Former superior court judge sentenced for auto fraud
- Ligonier, PA – Financially troubled car dealership torched, business owner dies in apparent arson
- Baltimore, MD – Man indicted for faking life insurance claim
- St Martinsville, LA – Insurance agent charged with stealing premiums from clients
- Pomano, CA – Man who changed coverage after accident, charged with insurance fraud
- Virginia Beach, VA – Doctors suspected in \$200,000 scam of Tricare insurance program
- Boise, ID – Twin Falls residents sentenced in arson case

People from all walks of life are struggling to get by in this economic downturn. Resorting to fraud is costlier than most people think.

In Idaho, insurance fraud is a felony. A person convicted of fraud could spend up to 15 years in jail and be fined up to \$15,000. Arson, also a felony, carries a steeper penalty of up to 25 years in jail and up to a \$100,000 fine.

In addition to the cost the perpetrator must pay, every American family also pays a high price for insurance fraud. The Insurance Research Council says that the percentage of fraudulent claims is on the rise, and these claims “help drive up the cost of insurance for everyone.”

The Department of Insurance has organized the Fraud Awareness Coalition to help teach consumers how to recognize fraud, protect themselves from it and encourage them to report it to the appropriate authorities. Please visit the Coalition's website at <http://fightfraud.idaho.gov/>

If you suspect fraud, call the Idaho Department of Insurance to report it. The number is 334-4250 in Boise, and 800-721-3272 toll-free statewide. Or call the fraud hotline, 866-939-7226.

Fraud – the crime YOU pay for!

CONSUMER/SENIOR ADVISORY ON STOLI INSURANCE SCHEMES

What is STOLI?

STOLI stands for “Stranger Originated Life Insurance.” In STOLI schemes, investors entice seniors to take out policies on their lives and then profit when they die. The sooner they die, the greater the profit. In effect STOLI promotes wagering on human life. Also, STOLI threatens to expose consumers to unexpected taxes, loss of privacy, and inability to obtain life insurance in the future.

How STOLI Works

- Investors, life agents or brokers induce senior citizens to purchase “free” life insurance. The seniors purchase the policies and name a beneficiary but agree to an arrangement where, after the expiration of a two-year contestability period, ownership of the policy is transferred to the investors, typically by using a trust document.
- The seniors usually receive an upfront payment, and the investors agree to finance all of the premiums.
- The investors typically profit by collecting the death benefits if the seniors die after the two-year contestability period. The sooner the seniors die, the higher the profit.

Risks to Consumers

- Senior citizens participating in these arrangements may not be aware that the income is generally taxable and they may receive substantially less than expected. Forgiven loans and other fees could also carry an unknown tax liability.
- The seniors participating in STOLI may use up their insurance capacity and be unable to purchase – and unaware of their inability to purchase – life insurance in the future for estate planning and other legitimate needs for family or business protection.
- Seniors may subject themselves or their estates to potential liability in the event the life insurance policy is rescinded by an insurer who discovers fraud or material misrepresentation on the application.
- Seniors have to give the purchaser, and subsequent purchasers, access to their medical records when they sell their life insurance policy so that investors know the health status of the insured. ***The investors want to know the status of their investment and how close they are to getting paid.***
- STOLI may lead to an increase in life insurance rates for the over 65 population.

Wagering on Human Life

- Life insurance is designed to help families and businesses cope financially following the unexpected death of a loved one, a business owner, or a key employee. Beneficiaries have an interest in the insured’s continued lives, not their early demise.

With STOLI schemes, investors are betting the early demise of an insured will lead to a profitable payday.

- Our nation decided long ago to prohibit the wagering on human life, which is exactly what STOLI represents. In STOLI schemes, there is no insurable interest present. STOLI schemes are illegal in Idaho.

How Seniors Can Protect Themselves

- If it sounds “too good to be true” it probably is. Be suspicious of slick marketing schemes involving “no-cost” or “free” insurance, or entreaties to “sell your valuable asset of insurance capacity.”
- Check with a trusted professional for the personal, legal and financial consequences of the transaction.
- Never, ever agree to give up private confidential medical information without first consulting with a trusted independent advisor and determining exactly what the party intends to do with the information.
- Contact the Idaho Department of Insurance for guidance. Call toll free 1-800-721-3272 or 208-334-4250.

WORKERS’ COMPENSATION INSURANCE FRAUD

- Insurance fraud occurs when someone tries to make money from insurance transactions by deceiving others.
- Workers Compensation fraud, includes medical practitioners who willfully submit false or altered bills with the intent of deceiving an insurer; anyone willfully making a false statement or material misrepresentation to obtain or extend worker’s compensation benefits; employers who submit falsified Employment Reports, or who misclassify employees subcontractors.
- Insurance fraud is a felony criminal offense under Idaho Code §41-293, punishable by up to 15 years imprisonment and/or up to a \$15,000 fine.
- Nationally the workers’ compensation system is being ripped off from all quarters. Workers file claims for nonexistent injuries, medical providers bill for services never rendered, and employers submit falsified documents designed to lower their premiums.
- Insurance fraud is a multi-billion dollar problem and everyone pays: insurance companies, policyholders, consumers . . . everyone.
- The National Insurance Crime Bureau (NICB) and the Coalition Against Insurance Fraud estimates that insurance fraud costs 10 to 25 cents out of every insurance premium dollar paid by consumers. Nationwide that equates to \$80 Billion.

- Fighting insurance fraud is a high priority of the Idaho Department of Insurance (DOI). Our job is to detect fraud, stop it with license revocations and cease-and-desist orders and assist the special prosecutors for insurance crime to prosecute those who commit insurance fraud.
- The DOI Investigations Section works as a team with insurance company Special Investigative Units, adjusters, law enforcement agencies and prosecutors to multiply limited resources.

MEDICAL FRAUD

Medical billing fraud is the biggest contributor in Medicare fraud. Medical billing fraud is perpetrated by several means:

- Billing for services not provided.
- Unbundling – taking apart billing codes to their core components and billing separately for each component.
- Up-coding – billing for a higher mode of treatment than was actually performed.

Medical billing fraud can be perpetrated by:

- Physicians, Physician Assistants, and Nurse Practitioners.
- Physical Therapists
- Doctor of Osteopathy
- Doctor of Chiropractic
- Doctor of Dental Services
- Doctor of Ophthalmology

How do you fight medical billing fraud?

- First a definition: Your Explanation of Benefits, or EOB, is the document you receive from your insurance company that normally states: *This is not a bill*. The EOB is a summary of services and charges billed to your insurance company by your medical provider.
- Compare your EOB to any receipt or information that you received at the time of service that may show the type of service and estimated charges.

- Compare the bill you receive from your medical provider to your EOB and check if the services billed match the claims processed by the insurance company.
- If something seems odd, or if you have questions, contact your insurance company.

MEDICAL IDENTITY THEFT

Medical Identity Theft is one of the most dangerous and insidious forms of identity theft. Unlike the usual types of identity theft that destroy your credit, medical identity theft can be life threatening and dangerous to your health.

- Medical identity theft can occur when two people with the same name work for the same company. One gets laid off and uses your personal information to get medical treatment. You have no idea the former employee has used your identity for the medical treatment. If you have to make an emergency visit to the facility the former employee used, the resulting misdiagnosis or treatment could be life threatening.
- Medical identity theft can also occur when a person steals your Explanation of Benefits (EOB), or medical insurance card number, and uses it to obtain medical treatment under your name. Again, if you have to make an emergency visit to the same facility, the resulting misdiagnosis or treatment could be life threatening or dangerous to your health.

To counter this threat, review your Explanation of Benefits every time you receive them.

- Is the date reflected on the EOB the correct date of your treatment?
- Is the procedure reflected on the EOB the same procedure you had?
- Is the physician reflected on the EOB the same physician you used?
- If not, contact your insurance company immediately.

Persons engaging in Medical Identity Theft can be charged with a felony criminal offense under Idaho Code §41-293. Insurance fraud is punishable by up to 15 years imprisonment and/or up to a \$15,000 fine.

OWNER GIVE-UP

- An owner give-up is the intentional arson or destruction of property.

- This event occurs when a desperate owner of an auto or residence either owes more than the property is worth or the property requires repairs that the owner cannot afford, or when threatened with repossession or foreclosure.
 - The owner takes the vehicle to a remote area and burns it.
 - The owner reports the vehicle as stolen.
 - The owner files a claim with the insurance company.
 - The owner burns the residence, or burns the area of the residence needing repairs.
 - The owner files a claim with the insurance company.
- The Idaho Department of Insurance is seeing an upswing of these types of crimes with the downswing in the economy.
- These all can be charged with a felony criminal offense under Idaho Code §41-293. Insurance fraud is punishable by up to 15 years imprisonment and/or up to a \$15,000 fine.